INDEPENDENT AUDITOR'S REPORTS BASIC FINANCIAL STATEMENTS SUPPLEMENTARY AND OTHER INFORMATION SCHEDULE OF FINDINGS

June 30, 2014

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OFFICIALS

Name	Title (Before January 2014)	Term Expires
Craig Henry	Mayor	Jan 2014
Mark Baker	Mayor Pro Tem	Apr 2014
Marjorie Nerness. David Kuhn. Scott Wilson. Tracey Roberts.	Council Member	Jan 2014 Jan 2014
John Haldeman	City Administrator	Sep 13, 2016
Amy Beattie	Attorney	Indefinite
Jolene Lettow	City Clerk	Indefinite
Matthew Law	City Treasurer	Indefinite
Gabe Nelson	City Engineer	Indefinite
	(After January 2014)	
Craig Henry	Mayor	Jan 2016
David Kuhn	Mayor Pro Tem	Jan 2018
Mike Schonhorst(effective May 13, 2014 Tracey Roberts	Council Member	Jan 2016 Jan 2018
John Haldeman	City Administrator	Sep 13, 2016
Amy Beattie	Attorney	Indefinite
Jolene Lettow	City Clerk	Indefinite
Jeremy Arends	City Treasurer	Indefinite
Greg Roth	City Engineer	Indefinite

City of Huxley

MARTENS & COMPANY, CPA, LLP



CERTIFIED PUBLIC ACCOUNTANTS 4949 Pleasant Street, Suite 104 West Des Moines, Iowa 50266

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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Huxley, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Huxley, Iowa as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Huxley, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. Other Auditors' previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 32 through 34 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with <u>Government Auditing Standards</u>, we have also issued our report dated September 24, 2014 on our consideration of the City of Huxley, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with <u>Government Auditing Standards</u> in considering Huxley, Iowa's internal control over financial reporting and compliance.

Martens & Company, CPA, LLP

West Des Moines, Iowa September 24, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Huxley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 50.3%, or approximately \$4,661,000 from fiscal year 2013 to fiscal year 2014. Property tax and tax increment financing decreased approximately \$106,000, bond and loan proceeds decreased by approximately \$4,587,000, uses of money and property increased by approximately \$22,000, charges for service decreased by approximately \$25,000, operating grants increased approximately \$153,000 and capital grants decreased approximately \$171,000.
- Disbursements of the City's governmental activities increased 82.5%, or approximately \$4,170,000, from fiscal year 2013 to fiscal year 2014. Debt service increased \$4,280,000, while capital projects decreased \$135,000.
- The City's total cash basis net position decreased 104.8% or approximately \$6,642,000 from fiscal year 2013 to fiscal year 2014. Of this amount, the cash basis net position of the governmental activities decreased approximately \$5,000,000 and the cash basis net position of the business type activities decreased approximately \$1,642,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consist of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds, and the City's indebtedness. In addition, the Schedule of Capital Projects provides information about the various projects of the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. They focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Road Use Tax and Urban Renewal Tax increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer funds, considered to be major funds of the City. The City also maintains one non major Enterprise Fund to account for meter deposits.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities has decreased from a year ago, decreasing from approximately \$10.349 million to approximately \$5.349 million. The analysis that follows focuses on these changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities
(Expressed in Thousands)

	Year	nded June 30,
	2014	2013
Receipts:		
Program receipts:		
Charges for service	\$ 205	\$ 230
Operating grants, contributions and restricted interest	704	534
Capital grants, contributions and restricted interest	6	177
General receipts:		
Property tax	2,952	3,154
Other city tax	444	361
Unrestricted interest on investments	55	33
Bond proceeds, net	-	4,587
Other general receipts	252	186
Total receipts	4,618	9,262
Disbursements:		
Public safety	544	545
Public works	378	305
Health and social services	11	12
Culture and recreation	451	460
Community and economic development	618	286
General government	372	473
Debt service	6,576	2,547
Capital projects	288	423
Total disbursements	9,238	5,051
Change in cash basis net position before transfers	(4,620)	4,211
Transfers, net	(380)	12
Change in cash basis net position	(5,000)	4,223
Cash basis net position beginning of year	10,349	6,126
Cash basis net position end of year	<u>\$ 5,349</u>	\$ 10,34

The City's total receipts for governmental activities decreased by 50.1 percent or approximately \$4,644,000. The total cost of all programs and services increased by approximately \$4,187,000 or 82.9 percent due to increased debt service payments. The significant decrease in receipts was primarily the result of no bonds issued in the current year.

The cost of all governmental activities including refunded bond payments this year was approximately \$9.238 million compared to approximately \$5.051 million last year. However, as shown in the Statement of Activities and Net Position on pages 14-15, the amount that taxpayers ultimately financed for these activities was only approximately \$3.2 million because some of the cost was paid by those directly benefitted from the programs (approximately \$205,000) some by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (approximately \$0.7 million) and some from previous refunded bond proceeds of approximately \$5.1 million. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, remained steady in fiscal year 2014 at approximately \$0.9 million. The

City paid for the remaining "public benefit" portion of governmental activities (approximately \$8.3 million) with tax (some of which could only be used for certain programs) and with other receipts, such as unrestricted interest and other general receipts.

Changes in Cash Basis Net Position of Business Type Activities
(Expressed in Thousands)

	Years ended	d June 30,
	2014	2013
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 568	\$ 588
Sewer	613	619
General receipts:		
Bond proceeds, net	-	1,894
Miscellaneous	98	48
Total receipts	1,279	3,149
Disbursements:		
Water	1,602	542
Sewer	1,683	789
Other business-type activities	17	16
Total disbursements	3,302	1,347
Change in cash basis net position before transfers	(2,023)	1,802
Transfers, net	380	(12)
Change in cash basis net position	(1,643)	1,790
Cash basis net position beginning of year	2,631	841
Cash basis net position end of year	<u>\$ 988</u>	<u>\$ 2,631</u>

Total business type activities receipts for the fiscal year were \$1,279,000 compared to \$3,149,000 in the prior year. This significant decrease was due primarily to no water or sewer revenue bonds being issued this year. Total disbursements for the fiscal year increased by 145.1% to \$3,302,000. This significant increase was due primarily to the increase in debt service payments.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Huxley completed the year, its governmental funds reported a combined fund balance of \$5.349 million, a decrease of \$5.0 million from last year's total of \$10.349 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased from a positive balance of \$414,884 in 2013 to a positive balance of \$555,322 in 2014. The increase is due in part to the decreased general fund expenditures, increased net transfers into the fund, increased property taxes, and increased intergovernmental receipts.
- The Special Revenue, Road Use Tax Fund cash balance decreased from a positive balance of \$486,630 in 2013 to a positive balance of \$432,388 in 2014. This decrease is primarily due to increased public works expenditures.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased from a negative balance of \$95,785 in 2013 to a positive balance of \$7,620 in 2014. This increase is primarily due to reduced required debt service payments, resulting in a decrease in transfers to the debt service fund.

- The Debt Service Fund cash balance decreased from \$4,789,711 in 2013 to \$22,521 in 2014 due to the payment of \$4,590,000 crossover refunding bonds.
- The Capital Projects Fund cash balance decreased by \$186,949 to \$4,165,577, which was due primarily to transfers to Debt Service and Special Revenue Funds.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$1,127,892 to \$679,067 due primarily to payment of debt.
- The Enterprise, Sewer Fund cash balance decreased by \$518,594 to \$265,643, due primarily to payment of debt.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 27, 2014 to provide for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$587,667 less than budgeted. This was primarily due to the City receiving less in miscellaneous receipts than anticipated, even after the amendments.

Even with the budget amendments, total disbursements were \$3,214,445 less than the amended budget. Disbursements for debt service were approximately \$2,602,462 less than budgeted. The community and economic development activities were approximately \$594,929 less than budgeted.

Amounts budgeted in the health and social services, capital projects and business type activities functions for the year ended June 30, 2014 were exceeded. The differences may be due to classification of expenditures and will be reviewed in the next fiscal year.

DEBT ADMINISTRATION

At June 30, 2014, the City had \$24,458,000 in bonds compared to \$32,264,000 last year, as shown below:

Outstanding Debt at Year-End		
	J	une 30
	2014	2013
General obligation bonds Corporate purpose and other	\$21,281,000	\$27,042,000
Revenue bonds	3,177,000	5,222,000
Total	<u>\$24,458,000</u>	<u>\$32,264,000</u>

Debt decreased as a result of paying the costs of the crossover refunding of the outstanding balance of the 2006C bonds, for the purpose of refunding the 2002 water revenue bonds and for refunding the 2014 to 2025, inclusive, maturities of the City's sewer revenue 2009 bonds.

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt counting towards the debt limit of \$6,466,000 is below the City's \$9.950 million legal debt limit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Huxley's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates and fees charged for various City activities. The economy in the area has improved slightly with small change in our unemployment rate in the past year. Unemployment in Story County now stands at 2.7% versus 4.2% a year ago. This compares with the State's unemployment rate of 5.5% and the national rate of 8.0%.

These indicators were taken into account when adopting the budget for fiscal year 2015. Based on the tax rate of \$11.83889 per \$1,000 of taxable valuation, the City expects to generate \$933,221 in property tax receipts for fiscal year 2015. Receipts from all funds, including Enterprise Funds, are anticipated to be \$9.268 million.

The City's deficit funds have been a significant concern to the City and a concerted effort has been made to reduce these deficits.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John Haldeman, City Administrator, 515 N. Main Avenue, Huxley, Iowa 50124.

Basic Financial Statements

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

						n Receipts		
				harges		itions and	Contrib	al Grants, utions and
	Disbur	sements	for	Service	Restricte	d Interest	Restrict	ed Interest
Functions/Programs:								
Governmental activities:								
Public safety	\$	543,729	\$	1,250	\$ 4	4,450	\$	-
Public works		377,883		-	32	9,749		-
Health and social services		11,250		-	6	0,882		-
Culture and recreation		451,366		133,912	3	2,777		-
Community and economic development		618,130		-		-		-
General government		372,346		69,883	21	8,837		-
Debt service	1	,439,289		-	1	7,339		-
Capital projects		288,147		-		-		5,878
Total governmental activities	4	,084,801		205,045	70	4,034		5,878
Business type activities:								
Water	1	,602,276	-	568,234		-		-
Sewer	1	,682,207	(512,729		-		-
Other		16,840		-		-		-
Total business type activities	3	,301,323	1,	180,963	•	-		-
Total		,386,124	\$1,3	306,008	\$ 70	4,034	\$	5,878

General receipts and transfers:

Property tax levied for:

General purposes

Employee benefits

Debt service

Tax increment financing

Other city tax

Unrestricted interest on investments

Refunded bond payments

Miscellaneous

Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:

Expendable:

Debt service

Streets

Capital projects

Deposits

Unrestricted:

Total cash basis net position

See notes to financial statements.

	bursements) Receipts are ash Basis Net Position	nd Changes
	asii basis Net Fositioii	
Governmental	Business Type	
Activities	Activities	Total
\$ (498,029)	\$ -	\$ (498,029)
(48,134)	-	(48,134)
49,632	_	49,632
(284,677)	-	(284,677)
(618,130)	-	(618,130)
(83,626)	-	(83,626)
(1,421,950)	-	(1,421,950)
(282,269)	-	(282,269)
(3,187,183)	-	(3,187,183)
-	(1,034,042)	(1,034,042)
-	(1,069,478)	(1,069,478)
	(16,840)	(16,840)
	(2,120,360)	(2,120,360)
(3,187,183)	(2,120,360)	(5,307,543)
422 127		422 127
423,137	-	423,137
9,803 416,878	-	9,803 416,878
2,101,373	-	2,101,373
444,365	-	444,365
54,985		54,985
(5,137,018)	_	(5,137,018)
253,871	97,949	351,820
(380,100)	380,100	-
(1.012.70.6)	470.040	(1.224.657)
(1,812,706)	478,049	(1,334,657)
(4,999,889)	(1,642,311)	(6,642,200)
10,348,566	2,630,596	12,979,162
\$ 5,348,677	\$ 988,285	\$ 6,336,962
\$ 22,521	\$ 382,106	\$ 404,627
432,388	-	432,388
4,330,826	-	4,330,826
-	43,575	43,575
562,942	562,604	1,125,546
\$ 5,348,677	\$ 988,285	\$ 6,336,962

Statement of Cash Receipts, Disbursements and Changes in Cash Balances Governmental Funds

As of and for the year ended June 30, 2014

		Special	
	-	Road Use	Urban Renewal
	General	Tax	Tax Increment
Receipts:	-		
Property tax	\$ 423,137	\$ -	\$ -
Tax increment financing	-	-	2,101,373
Other city tax	96,715	-	- -
Licenses and permits	69,883	-	_
Use of money and property	54,985	-	_
Intergovernmental	397,908	329,749	_
Charges for service	135,162	-	_
Special assessments	3,128	-	_
Miscellaneous	101,760	919	98,100
Total receipts	1,282,678	330,668	2,199,473
Disbursements:			
Operating:			
Public safety	543,729	_	_
Public works	42,973	334,910	_
Health and social services	11,250	-	_
Culture and recreation	451,366	_	_
Community and economic development	106,454	_	471,068
General government	328,478	_	-71,000
Debt service	320,478	-	_
Capital projects	60,320	-	-
Total disbursements	1,544,570	334,910	471,068
Total disoursements	1,344,370	334,910	4/1,008
Excess (deficiency) of receipts			
over (under) disbursements	(261,892)	(4,242)	1,728,405
over (under) disoursements	(201,092)	(1,212)	1,720,103
Other financing sources (uses):			
Refunded bond payments	-	_	_
Operating transfers in	402,330	_	_
Operating transfers out	-	(50,000)	(1,625,000)
Total other financing sources (uses)	402,330	(50,000)	(1,625,000)
- · · · ·	<u> </u>		
Change in cash balances	140,438	(54,242)	103,405
Cash balances beginning of year	414,884	486,630	(95,785)
Cash balances end of year	\$ 555,322	\$ 432,388	\$ 7,620
Cash Basis Fund Balances			
Restricted for:			
Debt service	\$ -	\$ -	\$ -
Streets	ψ <u>-</u>	432,388	Ψ -
Other purposes	-	TJ2,300	7,620
Assigned	5,485	-	7,020
Unassigned		-	-
Unassigned	549,837	-	-
Total cash basis fund balances	\$ 555,322	\$ 432,388	\$ 7,620
Total Cash Gasis fully Galances	Ψ 333,344	ψ τυΔ,υσο	ψ 7,020

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
Scrvice	Tiojects	Nominajor	Total
\$ 416,878	\$ -	\$ 9,803	\$ 849,818
-	-	-	2,101,373
-	_	347,650	444,365
_	_	-	69,883
17,339	-	-	72,324
-	-	-	727,657
-	-	-	135,162
-	2,357	-	5,485
	3,521	9,002	213,302
434,217	5,878	366,455	4,619,369
-	-	-	543,729
-	-	-	377,883
-	-	-	11,250
-	-	-	451,366
-	-	40,608	618,130
-	-	43,868	372,346
1,439,289	-	-	1,439,289
	227,827	-	288,147
1,439,289	227,827	84,476	4,102,140
(1,005,072)	(221,949)	281,979	517,229
(5,137,018)			(5,137,018)
1,795,000	295,000	300,000	3,792,330
(420,100)	(260,000)	(817,330)	(3,172,430)
(3,762,118)	35,000	(517,330)	(5,517,118)
(3,702,110)	33,000	(517,550)	(3,317,110)
(4,767,190)	(186,949)	(235,351)	(4,999,889)
4,789,711	4,352,526	400,600	10,348,566
\$ 22,521	\$4,165,577	\$165,249	\$ 5,348,677
\$ 22,521	\$ -	\$ -	\$ 22,521
-	-	-	432,388
-	4,165,577	165,249	4,338,446
-	-	-	5,485
	-	-	549,837
\$ 22,521	\$4,165,577	\$165,249	\$ 5,348,677

Statement of Cash Receipts, Disbursements and Changes in Cash Balances *Proprietary Funds*

As of and for the year ended June 30, 2014

	Water	Enterpris	e Nonmajor	
	Water	S	Nonmajor	
	Water	0		
		Sewer	Meter Deposits	Total
Operating receipts:				
Charges for service	\$ 568,234	\$ 612,729	\$ -	\$1,180,963
Licenses & permits	23,000	19,780	-	42,780
Meter deposits		-	21,015	21,015
Total operating receipts	591,234	632,509	21,015	1,244,758
Operating disbursements:				
Business type activities	517,322	482,620	16,840	1,016,782
Total operating disbursements	517,322	482,620	16,840	1,016,782
Excess (deficiency) of operating receipts				
over (under) operating disbursements	73,912	149,889	4,175	227,976
Non-operating receipts (disbursements):				
Miscellaneous	33,150	1,004	-	34,154
Debt service	(1,084,954)	(1,178,547)	-	(2,263,501)
Capital projects	<u> </u>	(21,040)	-	(21,040)
Net non-operating receipts				
(disbursements)	(1,051,804)	(1,198,583)	-	(2,250,387)
Excess (deficiency) of receipts over (under)				
disbursements	(977,892)	(1,048,694)	4,175	(2,022,411)
Transfers:				
Transfers in	_	530,100	-	530,100
Transfers (out)	(150,000)	- -	-	(150,000)
	(150,000)	530,100	-	380,100
Change in cash balances	(1,127,892)	(518,594)	4,175	(1,642,311)
Cash balances beginning of year	1,806,959	784,237	39,400	2,630,596
Cash balances end of year	\$ 679,067	\$ 265,643	\$ 43,575	\$ 988,285
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ 288,498	\$ 93,608	\$ -	\$ 382,106
Unrestricted:	,	,	•	
Deposits	_	_	43,575	43,575
Other	390,569	172,035	-	562,604
Total cash basis fund balances	\$ 679,067	\$ 265,643	\$ 43,575	\$ 988,285

See notes to financial statements.

Notes to Financial Statements

June 30, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Huxley is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1902 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Huxley has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Huxley has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Story County Assessor's Conference Board, Story County Joint E911 Service Board, and Story County Emergency Management Commission. Additionally, the City has a Chapter 28E agreement with the Ballard Community School district to operate the 3Cs Community Center.

B. Basis of Presentation

<u>Government-wide Financial Statements</u> - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of the interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

Notes to Financial Statements - Continued

June 30, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Continued

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position result when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consist of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

<u>Fund Financial Statements</u> - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

Notes to Financial Statements - Continued

June 30, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Continued

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Notes to Financial Statements - Continued

June 30, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

<u>Restricted</u> - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the health and social services, capital projects and business type activities functions.

(2) CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments at June 30, 2014 are as follows:

	Carrying	ган
	Amount	Value
U.S. EE Savings Bonds	<u>\$ 12,100</u>	\$ 17,532

Cormina

Notes to Financial Statements - Continued

June 30, 2014

(2) CASH AND POOLED INVESTMENTS - CONTINUED

<u>Interest rate risk</u> - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipts) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds and revenue bonds are as follows:

Balance				Balance
June 30,2013		Issued	Redeemed	June 30, 2014
\$ 27,042,000	\$	-	\$ 5,761,000	\$ 21,281,000
\$ 27,042,000	\$	-	\$ 5,761,000	\$ 21,281,000
\$ 5,222,000	\$	-	\$ 2,045,000	\$ 3,177,000
\$ 5,222,000	\$	-	\$ 2,045,000	\$ 3,177,000
	June 30,2013 \$ 27,042,000 \$ 27,042,000 \$ 5,222,000	June 30,2013 \$ 27,042,000 \$ \$ 27,042,000 \$ \$ 5,222,000 \$	June 30,2013 Issued \$ 27,042,000 \$ - \$ 27,042,000 \$ - \$ 5,222,000 \$ -	June 30,2013 Issued Redeemed \$ 27,042,000 \$ - \$ 5,761,000 \$ 27,042,000 \$ - \$ 5,761,000 \$ 5,222,000 \$ - \$ 2,045,000

Interest rates range from 0.60% to 5.15% on the general obligation notes and bonds. The revenue bond interest rates are from 0.65% to 3.00%. The City paid \$1,159,320 in interest on debt obligations for the year ended June 30, 2014.

Debt service requirements for general obligation bonds, note and revenue bonds are as follows:

Year	Genera	l Obligation	Rev	renue		
Ending	I	Bonds	Во	onds	Tc	tal
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,481,000	\$ 796,530	\$ 185,000	\$ 71,920	\$ 1,666,000	\$ 868,450
2016	1,502,000	760,594	190,000	70,542	1,692,000	831,136
2017	1,548,000	719,477	195,000	68,503	1,743,000	787,980
2018	1,609,000	673,367	195,000	65,960	1,804,000	739,327
2019	1,575,000	621,110	195,000	62,977	1,770,000	684,087
2020-2024	9,901,000	1,911,902	790,000	259,895	10,691,000	2,171,797
2025-2029	3,185,000	312,860	417,000	188,180	3,602,000	501,040
2030-2034	480,000	25,865	465,000	124,500	945,000	150,365
2035-2039		<u>-</u>	545,000	50,070	545,000	50,070
Total	\$21,281,000	\$5,821,705	\$3,177,000	\$962,547	\$24,458,000	\$6,784,252

Notes to Financial Statements - Continued

June 30, 2014

(3) BONDS AND NOTES PAYABLE - CONTINUED

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$985,000 in water refunding bonds issued in April, 2014. Proceeds from the bonds provided financing for water improvement projects. The notes are payable solely from water customer net receipts and are payable through 2022. Annual principal and interest payments on the bonds are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$948,407. For the current year, principal and interest paid and total customer net receipts were \$119,785 and \$107,062, respectively.

The City also pledged future sewer customer receipts, net of specified operating disbursements, to repay \$6,325,000 in sewer revenue bonds issued in June 2010 and \$925,000 in sewer refunding bonds issued in April, 2014. Proceeds from the bonds provide financing for the cost of construction improvements and extensions to the Municipal Sanitary Sewer System of the City. These bonds were partially refunded by the issuance of general obligation refunding bonds in February 2012. The remaining revenue bonds are payable solely from sewer customer net receipts and are payable through 2039. Annual principal and interest payments on the bonds are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$3,191,140. For the current year, principal and interest paid and total customer net receipts were \$1,064,368 and \$129,853, respectively.

The resolutions providing for the issuance of revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) The water and sewer systems shall maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bond.

Crossover Refunding

The general obligation annual appropriation refunding bonds series 2013A is one of a series of general obligation annual appropriation refunding bonds, issued for the purpose of paying the costs of advance refunding the balance of the City's general obligation annual appropriation corporate purpose bonds, series 2006C, dated October 15, 2006.

This resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$192,700. The series 2006C bonds were called and repaid in the year ended June 30, 2014.

There was created and established with the agent a special and irrevocable escrow account to be held in the custody of the agent. The City used the funds to purchase U.S. Government securities. These securities were deposited in an irrevocable trust to provide for future debt service on the refunded portion of these bonds at their callable dates. The balance in the escrow account at June 30, 2014 was \$0.

Notes to Financial Statements - Continued

June 30, 2014

(4) PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$91,810, \$91,478 and \$85,174, respectively, equal to the required contributions for each year.

(5) COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, retirement, or death. Employees may carry unused time forward to the next benefit year. If the total amount of unused vacation time exceeds two times the annual vacation amount at the end of any calendar year, excess vacation time will be lost. Sick leave has no maximum accumulation and is paid at the rate of 12.5% for 10 years, 25% after 15 years of full-time employment and if the employee has not been terminated by the City with cause. The City also has a policy of converting unused sick leave over to vacation after reaching 200 hours. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory time and sick leave payments payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
**	Φ. ((202
Vacation	\$ 66,202
Compensatory time	1,287
Sick leave	176,579
Total	\$244 <u>,068</u>

Sick leave is payable when used or after an employment period of at least ten (10) years, upon termination, retirement or death.

This liability has been computed based on rates of pay as of June 30, 2014.

Notes to Financial Statements - Continued

June 30, 2014

(6) OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The city operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees. The plan covers 21 employees. As provided by law cobra coverage is available to past employees and their families. Currently the spouse of a deceased employee is receiving coverage under Cobra. Cobra coverage is limited by law to three years and she has been on it for 18 months. The City of Huxley pays no part of the Cobra coverage.

Funding Policy

The contribution requirements of Plan members are established and maybe amended by the City. The City currently finances the benefit plan on a pay as you go basis. Health/prescription benefits are provided by United Health Care. The most recent active member monthly premiums for the City and plan members are \$338.73 for single coverage and \$1,016.20 for family coverage. For the year ended June 30, 2014, the City contributed \$140,560 and Plan members eligible for benefits contributed \$24,597 to the plan.

(7) DEFERRED COMPENSATION

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, as amended on August 20, 1996. The Plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is held in trust for the exclusive benefit of participants (or their beneficiaries in the event of the participant's death) until termination, retirement, death or an unforeseeable emergency.

(8) INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
General Fund:	Special Revenue:	
	Employee Benefits	\$ 9,680
	Local Option Sales Tax	347,650
	LMI	45,000
Debt Service Fund:	Special Revenue:	
	LMI	370,000
	Tax Increment Financing	1,225,000
	Road Use Tax	50,000
	Capital Projects	150,000
Special Revenue:	Special Revenue:	
Regency Development	LMI	45,000

Notes to Financial Statements - Continued

June 30, 2014

(8) INTERFUND TRANSFERS - CONTINUED

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
LMI	Tax Increment Financing	255,000
Capital Projects:	Special Revenue:	
•	Tax Increment Financing	145,000
	Proprietary Fund:	
	Water	150,000
Proprietary Fund:		
Sewer	Debt Service	420,100
	Capital Projects	110,000
Total		\$3,322,430

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(9) COMMITMENTS

In 1996, the City of Huxley, Iowa entered into a 28E agreement with the City of Ames, Iowa to participate in a waste reclamation, recycling and solid waste disposal system. The City of Ames, Iowa governs, controls, administers and operates the system and determines the amount of current and future debt required to operate the system.

The City of Huxley, Iowa is obligated to pay its proportionate share of the operating costs plus debt service less income until June 30, 2014 unless both parties agree to terminate. The share is determined based on the ratio that the population of the City of Huxley, Iowa bears to the total of the population of all the participants. The City's share is presently 3.36% of the total and the payment for the year ended June 30, 2014 was \$15,092.

In 2001, the City of Huxley, Iowa entered into a 28E agreement with the Ballard Community School District for the construction and operation of a community center and a library. The center is jointly operated and governed by the City of Huxley, Iowa and Ballard Community School District. The City was responsible for the construction of the building. Each party is responsible for certain equipment required in the operation of the center and any maintenance required. The City is obligated by the agreement until June 30, 2051 unless both parties agree to terminate. Ballard Community School District reimbursed the City of Huxley \$125,012 under this agreement in the year ended June 30, 2014.

(10) ECONOMIC DEVELOPMENT

Economic development is a public purpose for which the City may provide grants, loans, guarantees and other financial assistance to or for the benefit of private persons as provided by Section 15A.1 of the Code of Iowa.

Notes to Financial Statements - Continued

June 30, 2014

(10) ECONOMIC DEVELOPMENT - CONTINUED

The City entered into the following economic development agreements in which the borrowers have applied to the City for financial assistance under this section of the Code in connection with the borrower's plan to locate and enlarge its business enterprise within the City's corporate limits. The proceeds of the agreements were considered disbursements in the tax increment financing fund in the appropriate fiscal years.

Each Payment shall be in an amount equal to a percentage (the "Annual Percentage") of the Incremental Property Tax Revenues available with respect to the Property during the six months immediately preceding each Payment date. Incremental Property Tax Revenues are produced by multiplying the consolidated property tax levy (city, county, school, etc.) times the incremental valuation of the Property, then subtracting debt service levies of all taxing jurisdictions, subtracting the school district physical plant and equipment levy and subtracting any other levies which may be exempted from such calculation by action of the Iowa General Assembly. The Annual Percentage shall vary from year to year as set forth in the grants.

Borrower	Date of Agreement	Agreement Amount	Expended June 30, 2014	Balance June 30, 2014
Hillebrand LLC	October 27, 2009	\$ 55,000	\$ 13,799	\$ 8,773
Bioforge Labs, LC	November 23, 2010	100,000	14,486	69,634
Trailridge	July 6, 2005	1,400,000	92,130	776,745
Northview	October 27, 2004	14,000,000	-	13,881,645
Northpark	May 8, 2003	600,000	69,209	328,748
Meadow Lane	October 22, 2010	400,000	5,861	354,580
Meadow View	May 28, 2003	600,000	48,301	15,487

(11) PROMISSORY NOTE

The City loaned \$3,000 on a promissory note. Interest at 2% per annum is payable annually on April 1 of each year. Annual principal payments in the amount of \$600 are due each year on April 1.

		Loan	Repaid	Balance
Borrower	Date of loan	Amount	June 30, 2014	June 30, 2014
B Fabulous BBQ & Catering	March 28, 2011	\$3,000	\$600	\$ 1,200

(12) RISK MANAGEMENT

The City is exposed to various of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Notes to Financial Statements - Continued

June 30, 2014

(13) DEFICIT BALANCES

The City had deficit balances at June 30, 2014, as follows:

Fund	Amount
Capital Projects:	
Wastewater facility project	\$ 39,887
HDC extension	250,239
Centennial West	8,835
Main Ave storm water	187,169

(14) REVENUE RESERVE BALANCES

Revenue reserve balances are not available for general operating use. They are included with their respective water or sewer cash balances on Exhibit C. Cash balances at end of year are summarized as follows:

	Water	Sewer	Other	Total
General operation	\$ 390,569	\$ 172,035	\$ -	\$ 562,604
Sinking fund	288,498	93,608	-	382,106
Customer deposits		-	43,575	43,575
	\$ 679,067	\$ 265,643	\$ 43,575	\$ 988,285

(15) SUBSEQUENT EVENTS

The City has evaluated subsequent events through September 24, 2014, the date the financial statements were available to be issued.

(16) PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 68, <u>Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27.</u> This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

City of Huxley

Other Information

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances -Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds Other Information Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:	Actual	Actual	1 Ota1
Property tax	\$ 849,818	\$ -	\$ 849,818
Tax increment financing collections	2,101,373	Ψ -	2,101,373
Other city tax	444,365	_	444,365
Licenses and permits	69,883	-	69,883
Uses of money and property	72,324	-	72,324
Intergovernmental	727,657	-	727,657
Charges for service	135,162	1,180,963	1,316,125
Special assessments	5,485	-	5,485
Miscellaneous	213,302	97,949	311,251
Total receipts	4,619,369	1,278,912	5,898,281
Disbursements:			
Public safety	543,729	-	543,729
Public works	377,883	-	377,883
Health and social services	11,250	-	11,250
Culture and recreation	451,366	-	451,366
Community and economic development	618,130	-	618,130
General government	372,346	-	372,346
Debt service	6,576,307	-	6,576,307
Capital projects	288,147	-	288,147
Business type activities		3,301,323	3,301,323
Total disbursements	9,239,158	3,301,323	12,540,481
Evenes (deficiency) of magaints			
Excess (deficiency) of receipts over (under) disbursements	(4 610 780)	(2.022.411)	(6 642 200)
Other financing sources, net	(4,619,789) (380,100)	(2,022,411) 380,100	(6,642,200)
Other financing sources, net	(380,100)	360,100	<u> </u>
Excess (deficiency) of receipts and other financing sources over (under)			
disbursements and other financing uses	(4,999,889)	(1,642,311)	(6,642,200)
Balances beginning of year	10,348,566	2,630,596	12,979,162
Balances end of year	\$ 5,348,677	\$ 988,285	\$ 6,336,962

See accompanying independent auditor's report.

		Final to
		Actual
		Variance-
Budgete	d Amounts	Positive
Original	Final	(Negative)
		(= 8)
\$ 826,601	\$ 826,601	\$ 23,217
2,110,000	2,110,000	(8,627)
486,652	486,652	(42,287)
36,000	36,000	33,883
25,600	25,600	46,724
389,775	429,775	297,882
1,790,920	1,790,920	(474,795)
-	-	5,485
780,400	780,400	(469,149)
6,445,948	6,485,948	(587,667)
	,	, , ,
576,160	641,160	97,431
379,695	464,695	86,812
-	-	(11,250)
481,528	489,528	38,162
967,059	1,213,059	594,929
460,270	479,370	107,024
4,586,645	9,178,769	2,602,462
-	-	(288,147)
1,439,425	3,288,345	(12,978)
8,890,782	15,754,926	3,214,445
- , ,	- 1 1	- , , ,
(2,444,834)	(9,268,978)	2,626,778
345,840	6,662,884	(6,662,884)
	-,,	(*,**=,***)
(2,098,994)	(2,606,094)	(4,036,105)
(-, -, -, -, -, -, -, -, -, -, -, -, -, -	(=,000,001)	(.,000,100)
4,624,469	4,624,469	8,354,693
1,021,107	1,021,102	0,00 1,000
\$ 2,525,475	\$ 2,018,375	\$4,318,588

Required Supplemental Information

Notes To Required Supplementary Information - Budgetary Reporting

June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital project funds, permanent fund and enterprise funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$6,864,144. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the health and social services, capital projects, and business type activities functions.

Supplementary Information

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances Nonmajor Governmental Funds

As of and for the year ended June 30, 2014

	Special Revenue		
		Trus	
	Employee	and	d Sales
	Benefits	Agen	cy Tax
Receipts:			
Property tax	\$ 9,803	\$ -	\$ -
Other city tax	-	-	347,650
Miscellaneous	18	_	- -
Total receipts	9,821	-	347,650
Disbursements:			
Operating:			
Community and econ. dev.	-	_	-
General government	-	-	_
Total disbursements	-	-	
Excess (deficiency) of receipts over			
(under) disbursements	9,821	-	347,650
Other financing sources (uses):			
Operating transfers in	-	_	_
Operating transfers (out)	(9,680)	_	(347,650)
Total other financing sources (uses)	(9,680)	-	(347,650)
Change in cash balances	141	-	-
Cash balances beginning of year	(7)	3	19 -
Cash balances end of year	\$ 134	\$ 3	19 \$ -
Cash Basis Fund Balances Restricted:			
Other purposes	\$ 134	\$ 3	19 \$ -
Total cash basis fund balances	\$ 134	\$ 3	19 \$ -
	-		· · · · · · · · · · · · · · · · · · ·

See accompanying independent auditor's report.

	Regency	
LMI	Development	Total
\$ -	\$ -	\$ 9,803
-	-	347,650
	8,984	9,002
	8,984	366,455
40,608	-	40,608
	43,868	43,868
40,608	43,868	84,476
(40,608)	(34,884)	281,979
255,000	45,000	300,000
(460,000)	-	(817,330)
(205,000)	45,000	(517,330)
(245,608)	10,116	(235,351)
350,526	49,762	400,600
\$ 104,918	\$ 59,878	\$ 165,249
\$ 104,918	\$ 59,878	\$ 165,249
\$ 104,918	\$ 59,878	\$ 165,249

Schedule of Indebtedness

Year ended June 30, 2014

			Amount
	Date of	Interest	Originally
Obligation	Issue	Rates	Issued
General obligation bonds:			
Water Improvement bond, Series 2003SRF	Apr. 16, 2003	3.00%	\$ 500,000
Corporate purpose bonds, Series 2006A	Apr. 15, 2006	4.20	465,000
Corporate purpose bonds, Series 2006C	Oct. 15, 2006	4.90 - 5.00	6,650,000
Corporate purpose bonds, Series 2009A	Mar. 15, 2009	3.95 - 5.05	5,800,000
Corporate purpose bonds - Series 2010C	Jun. 09, 2010	4.30 - 4.85	2,145,000
Corporate purpose bonds - Series 2010D	Jun. 30, 2010	3.15 - 5.15	6,295,000
Refunding bonds - Series 2012A	Feb. 29, 2012	1.00 - 3.60	3,720,000
Refunding bonds - Series 2013A	Apr. 30, 2013	1.40 - 3.00	4,590,000
Total			
Revenue bonds:			
Water - Series 2002 SRF	Feb. 08, 2002	3.00%	\$1,816,000
Sewer - Series 2009 SRF	Aug. 26, 2009	3.00	6,325,000
Water refunding bonds - Series 2013B	Apr. 30, 2013	0.65 - 2.00	985,000
Sewer refunding bonds - Series 2013C	Apr. 30, 2013	0.85 - 2.60	925,000
Corporate purpose bonds - Series 2010C Corporate purpose bonds - Series 2010D Refunding bonds - Series 2012A Refunding bonds - Series 2013A Total Revenue bonds: Water - Series 2002 SRF Sewer - Series 2009 SRF Water refunding bonds - Series 2013B	Jun. 09, 2010 Jun. 30, 2010 Feb. 29, 2012 Apr. 30, 2013 Feb. 08, 2002 Aug. 26, 2009 Apr. 30, 2013	4.30 - 4.85 3.15 - 5.15 1.00 - 3.60 1.40 - 3.00 3.00% 3.00 0.65 - 2.00	2,145,000 6,295,000 3,720,000 4,590,000 \$1,816,000 6,325,000 985,000

Total

Balance	I	ssued	Redeemed		Ba	lance		
Beginning	During		During During		Er	nd of	I	nterest
 of Year	7	Year	7	Year	Υ	Year		Paid
\$ 262,000	\$	-	\$	26,000	\$ 2	36,000	\$	4,575
40,000		-		20,000		20,000		1,660
4,900,000		-	4,	900,000		-		237,018
5,520,000		-		360,000	5,1	60,000	,	250,800
2,145,000		-		-	2,1	45,000		92,625
6,035,000		-		280,000	5,7	55,000	,	275,495
3,550,000		-		175,000	3,3	75,000		88,665
4,590,000		-		-	4,5	90,000		113,409
 \$27,042,000	\$	-	\$5,	761,000	\$21,2	81,000	\$1,	064,247
\$ 949,000	\$	-	\$	949,000	\$	_	\$	6,920
2,363,000		-		921,000	1,4	42,000		55,420
985,000		-		105,000	8	880,000		14,785
 925,000		-		70,000	8	55,000		17,948
 _	•		•					
 \$5,222,000	\$		\$2	045,000	\$ 3,1	77,000	\$	95,073

Bond Maturities

June 30, 2014

<u>-</u>				
_	Water Improvement		Corporate Pu	ırpose
_	Series	2003		
Year	Issued Apr.	16, 2003	Issued Apr.	15, 2006
Ending	Interest		Interest	
June 30,	Rates	Amount	Rates	Amount
2015	3.00%	\$ 26,000	4.20%	\$20,000
2016	3.00	27,000		-
2017	3.00	28,000		-
2018	3.00	29,000		-
2019	3.00	30,000		-
2020	3.00	31,000		-
2021	3.00	32,000		-
2022	3.00	33,000		-
2023		-		-
2024		-		-
2025		-		-
2026		-		-
2027		-		-
2028		-		-
2029		-		-
2030		-		-
2031				<u>-</u>
Total		<u>\$ 236,000</u>		<u>\$ 20,000</u>

Bonds					
Corpora	ate Purpose	Corpor	ate Purpose	Corpora	ite Purpose
		Seri	es 2010C	Series	s 2010D
Issued Ma	ar. 15, 2009	Issued J	Jun. 9, 2010	Issued Ju	ın. 30, 2010
Interest		Interest		Interest	
Rates	Amount	Rates	Amount	Rates	Amount
3.95%	\$ 375,000	4.30%	\$ -	3.25%	\$ 290,000
4.05	390,000	4.30	-	3.80	315,000
4.20	405,000	4.30	-	4.15	335,000
4.30	425,000	4.30	-	4.35	360,000
4.50	440,000	4.30	-	4.60	385,000
4.60	460,000	4.30	230,000	4.65	415,000
4.70	485,000	4.00	240,000	4.75	440,000
4.80	505,000	4.10	250,000	4.85	2,005,000
4.90	530,000	4.20	260,000	4.95	290,000
4.95	560,000	4.25	270,000	5.00	295,000
5.05	585,000	4.30	285,000	5.05	305,000
	-	4.40	300,000	5.15	320,000
	-	4.85	310,000		_
	-		-		-
	-		-		-
	-		-		-
	\$5,160,000		\$ <u>2,145,000</u>		\$5,755,000

Bond Maturities

June 30, 2014

	-				
	Refu	nding Bonds	igation Bonds Refu	nding Bonds	
	Serie	es 2012A	Ser	ries 2013A	
Year	Issued 1	Feb. 29, 2012	Issued .	Apr. 30, 2013	
Ending	Interest		Interest	_	
June 30,	Rates	Amount	Rates	Amount	Total
2015	1.00%	\$ 175,000	1.40%	\$ 595,000	\$ 1,481,000
2016	1.20	170,000	1.75	600,000	1,502,000
2017	1.45	170,000	1.95	610,000	1,548,000
2018	2.00	175,000	2.25	620,000	1,609,000
2019	2.00	175,000	2.40	545,000	1,575,000
2020	2.00	180,000	2.70	550,000	1,866,000
2021	2.35	185,000	2.95	575,000	1,957,000
2022	2.50	190,000	3.00	495,000	3,478,000
2023	2.60	195,000		-	1,275,000
2024	2.70	200,000		-	1,325,000
2025	2.85	205,000		-	1,380,000
2026	3.00	210,000		-	830,000
2027	3.15	215,000		-	525,000
2028	3.25	220,000		-	220,000
2029	3.40	230,000		-	230,000
2030	3.50	235,000		-	235,000
2031	3.60	245,000		-	245,000
Total		\$ <u>3,375,000</u>		\$ 4,590,000	\$21,281,000

City of Huxley

Bond Maturities

June 30, 2014

	Revenue Bonds					
	Sewer Series 2009 SRF		Water Refunding			
			Series 2	2013B		
Year	Issued	l Aug. 26, 2009	Issued Apr. 3	0, 2013		
Ending	Interest		Interest			
June 30,	Rates	Amount	Rates	Amount		
2017	2 000/	4 10 000	C = 0 /	* * * * * *		
2015	3.00%	\$ 10,000	.65%	\$105,000		
2016	3.00	10,000	.65	105,000		
2017	3.00	10,000	1.05	110,000		
2018	3.00	10,000	1.05	110,000		
2019	3.00	10,000	1.45	110,000		
2020	3.00	10,000	1.45	110,000		
2021	3.00	10,000	2.00	115,000		
2022	3.00	10,000	2.00	115,000		
2023	3.00	10,000		-		
2024	3.00	10,000		-		
2025	3.00	10,000		-		
2026	3.00	77,000		-		
2027	3.00	79,000		-		
2028	3.00	82,000		-		
2029	3.00	84,000		-		
2030	3.00	87,000		_		
2031	3.00	90,000		_		
2032	3.00	93,000		_		
2033	3.00	96,000		_		
2034	3.00	99,000		_		
2035	3.00	102,000		_		
2036	3.00	106,000		_		
2037	3.00	109,000		_		
2038	3.00	112,000		_		
2039	3.00	116,000		_		
Total	5.00	\$1,442,000		\$880,000		
10411		<u>ΨΙ, ΙΙΔ, ΌΟΟ</u>		Ψ000,000		

Sewer F	Refunding	
Series	2013C	
Issued Ap	or. 30, 2013	
Interest		
Rates	Amount	Total
.85%	\$ 70,000	\$ 185,000
.85	75,000	190,000
.85	75,000	195,000
.85	75,000	195,000
1.45	75,000	195,000
1.45	75,000	195,000
1.45	80,000	205,000
2.10	80,000	205,000
2.10	80,000	90,000
2.10	85,000	95,000
2.60	85,000	95,000
	-	77,000
	-	79,000
	-	82,000
	-	84,000
	-	87,000
	-	90,000
	-	93,000
	-	96,000
	-	99,000
	-	102,000
	-	106,000
	-	109,000
	-	112,000
		116,000
	<u>\$ 855,000</u>	\$3,177,000

Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds

For the Last Ten Years

				Years end	ed June 30,
	2014	2013	2012	2011	2010
Receipts:					
Property tax	\$ 849,818	\$ 872,407	\$ 521,753	\$ 486,891	\$ 504,925
Tax increment financing	2,101,373	2,281,768	2,331,296	2,082,328	1,809,929
Other city tax	444,365	360,618	459,438	443,675	441,883
Licenses and permits	69,883	64,605	15,443	26,978	102,388
Use of money and property	72,324	32,903	80,887	169,911	120,538
Intergovernmental	727,657	582,409	1,534,637	841,870	390,224
Charges for service	135,162	165,466	214,352	206,270	182,824
Miscellaneous	218,786	314,658	646,236	2,104,352	501,787
Total	4,619,369	\$4,674,834	\$5,804,042	\$6,362,275	\$4,054,498
Disbursements:					
Operating:					
Public safety	\$ 543,729	\$ 545,376	\$ 552,613	\$ 502,356	\$ 490,676
Public works	377,883	304,851	300,472	310,234	273,784
Health and social services	11,250	12,147	19,605	13,925	6,444
Culture and recreation	451,366	459,964	496,862	546,736	522,903
Community and economic					
development	618,130	285,948	566,156	835,841	853,009
General government	372,346	472,638	360,225	324,630	331,736
Debt service	1,439,289	2,547,380	2,144,232	1,998,560	2,965,121
Capital projects	288,147	422,661	6,207,457	4,227,689	9,359,577
Total	\$4,102,140	\$5,050,965	\$10,647,622	\$8,759,971	\$14,803,250

2009	2008	2007	2006	2005
\$ 521,709	\$ 416,132	\$ 339,290	\$ 348,687	\$ 334,144
1,401,757	1,345,159	1,556,180	1,391,187	1,374,213
471,286	443,409	404,126	332,421	275,023
41,556	50,262	70,590	95,823	34,993
121,394	150,843	216,214	57,707	38,952
516,318	621,149	448,215	423,630	466,595
132,806	158,820	194,608	201,695	201,695
282,877	172,928	837,137	195,931	195,931
\$3,489,703	\$3,358,702	\$4,066,360	\$3,047,081	\$2,921,546
A. A.C. C	402 646	A A A A A A A A	.	* ** • • • • • • • • • • • • • • • • • •
\$ 465,675	\$ 482,646	\$ 389,463	\$ 485,408	\$ 579,136
296,437	297,981	376,101	334,468	172,008
9,178	4,725	6,212	9,150	10,070
555,495	504,748	439,898	420,765	423,321
285,585	196,960	124,188	401,808	332,313
328,393	317,211	468,144	351,975	282,191
3,577,542	1,589,192	1,263,068	698,250	499,620
1,851,598	3,327,782	3,957,667	1,771,258	158,420
\$7,369,903	\$6,721,245	\$7,024,741	\$4,473,082	\$2,457,079

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances Capital Projects

As of and for the year ended June 30, 2014

	Street Construction and Repair	Wastewater Facility Project	HDC Extension	Undesignated Capital Projects	Timberline Culvert Ext
Receipts:					
Special assessments	\$ 2,357	\$ -	\$ -	\$ -	\$ -
Miscellaneous		-	-	3,521	
Total receipts	2,357		-	3,521	-
Disbursements:					
Capital projects	_	37,654	_	_	_
Total disbursements	_	37,654	-	-	-
Excess (deficiency) of receipts over (under) disbursements	2,357	(37,654)	-	3,521	-
Other financing sources (uses): Operating transfers in Operating transfers (out) Total other financing	100,000	- -	- -	45,000 (725,000)	9,400
sources (uses)	100,000	-	-	(680,000)	9,400
Change in cash balances	102,357	(37,654)	-	(676,479)	9,400
Cash balances (deficits) beginning of year	406,642	(2,233)	(250,239)	3,194,672	(9,400)
Cash balances (deficits) end of year	\$509,000	\$(39,887)	\$(250,239)	\$2,518,193	\$ -
Cash Basis Fund Balances Restricted for:					
Other purposes	\$509,000	\$(39,887)	\$(250,239)	\$2,518,173	\$ -
Total cash basis fund balances	\$509,000	\$(39,887)	\$(250,239)	\$2,518,173	\$ -

Storm Water Improvement	City Property Sales	Prairie Ridge	Centennial West	US 69/ E 1 st St Signal	Northview Sewer Lining
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	-	_	-	-	
	-	-	-	-	
64,862	-	125	-	11,331	60,000
64,862	-	125	-	11,331	60,000
(64,862)	-	(125)	-	(11,331)	(60,000)
-	-	-	-	615,000	-
		-	-	-	
	-	-	-	615,000	
(64,862)	-	(125)	-	603,669	(60,000)
483,652	114,000	(8,710)	(9,400)	3,025	60,000
\$418,790	\$114,000	\$(8,835)	\$ (9,400)	\$606,694	\$ -
\$418,790	\$114,000	\$(8,835)	\$ (9,400)	\$606,694	\$ -
\$418,790	\$3,194,672	\$(8,835)	\$ (9,400)	\$606,694	\$ -

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances Capital Projects

As of and for the year ended June 30, 2014

	Main Ave Storm Water Sewer	Intrafund Eliminations	Total
Receipts:			
Special assessments	\$ -	\$ -	\$ 2,357
Miscellaneous		-	3,521
Total receipts			5,878
Disbursements:			
Capital projects	29,439	-	227,827
Total disbursements	29,439	-	227,827
Excess (deficiency) of receipts over (under) disbursements	(29,439)	-	(221,949)
Other financing sources (uses): Operating transfers in Operating transfers (out)	(9,400)	(474,400) 474,400	295,000 (260,000)
Total other financing sources (uses)	(9,400)	-	35,000
Change in cash balances	(38,839)	-	(186,949)
Cash balances (deficits) beginning of year	(148,330)	-	4,352,526
Cash balances (deficits) end of year	\$(187,169)	\$ -	\$4,165,577
Cash Basis Fund Balances Restricted for:			
Other purposes	\$(187,169)	\$ -	\$4,165,577
Total cash basis fund balances	\$(187,169)	\$ -	\$4,165,577

City of Huxley



MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS 4949 Pleasant Street, Suite 104 West Des Moines, Iowa 50266

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Huxley, Iowa as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 24, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Huxley's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Huxley's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Huxley's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility a material misstatement of the City of Huxley's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in internal control described in Part II of the accompanying Schedule of Findings as items II-A-14 and II-B-14 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as items II-C-14 and II-D-14 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Huxley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Huxley's Responses to Findings

The City of Huxley's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Huxley's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Huxley during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens & Company, CPA, LLP

West Des Moines, Iowa September 24, 2014

Schedule of Findings

Year ended June 30, 2014

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Schedule of Findings

Year ended June 30, 2014

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the following functions are not entirely segregated: cash receipts, general ledger posting, reconciliations and investment control and custody.

<u>Recommendation</u> - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should continue to monitor its control procedures to obtain the maximum internal control possible under the circumstances. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Response - We will monitor the procedures as suggested.

Conclusion - Response acknowledged.

II-B-14 Preparation of Financial Statements - A properly designed system of internal control over financial reporting calls for the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. We recognize that with a limited number of office employees, preparation of the financial statements is difficult. The effect of this condition is that the financial reporting is prepared by a party outside of the entity. The outside party does not have the constant contact with ongoing financial transactions that internal staff have.

<u>Recommendation</u> - We recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements internally.

<u>Response</u> - This finding and recommendation is not a result of any change in City procedures, rather it is due to an auditing standard implemented by the American Institute of Certified Public Accountants. The City will continue to seek additional training and experience and evaluate the need for additional resources to enable our staff to achieve the goal of drafting our financial statements internally.

<u>Conclusion</u> - Response accepted.

II-C-14 <u>Documentation of Disbursements</u> - All disbursements/expenditures should be effectively cancelled at the time of approving the payment to prevent their reuse.

<u>Recommendation</u> - We recommend that all claims for payment be approved by a responsible person before they are submitted for payment. Each original invoice should be stamped "PAID" and include all of the following information: payment approval, date paid, coding of expenditure.

Schedule of Findings

Year ended June 30, 2014

Part II: Findings Related to the Financial Statements - Continued:

INTERNAL CONTROL DEFICIENCIES - Continued:

<u>Response</u> - We will implement the recommendation as suggested.

Conclusion - Response acknowledged.

II-D-14 <u>Adjustments to Records</u> - A separate process should be established to document adjustments to the records.

<u>Recommendation</u> - We recommend that all adjustments to the records should be adequately explained and supported. They should adequately identify the accounts to which they are to be recorded. All journal entries should be approved and placed in a separate file.

<u>Response</u> - We will implement the journal entry process.

Conclusion - Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Schedule of Findings

Year ended June 30, 2014

Part III: Other Findings Related to Required Statutory Reporting:

- III-A-14 <u>Questionable Disbursements</u> We noted no expenditures for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- III-B-14 <u>Travel Expenses</u> No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-C-14 <u>Business Transactions</u> No business transactions between the City and City officials or employees were noted.
- III-D-14 <u>Bond Coverage</u> Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- III-E-14 <u>City Council Minutes</u> No transactions were found that we believe should have been approved in the City Council Minutes but were not.

The City Council went into closed session ten times. However, the minutes record did not document the specific information regarding the closed sessions as required by Chapter 21 of the Code of Iowa, commonly known as the Open Meeting Law.

<u>Recommendation</u> - The City should comply with Chapter 21 of the Code of Iowa and should documented the closed sessions.

Response - We will document the closed session in the minutes as required in the future.

Conclusion - Response accepted.

- III-F-14 <u>Deposits and Investments</u> We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-G-14 Financial Condition The City had deficit balances at June 30, 2014 as follows:

Fund	Amount
Capital Projects:	
Wastewater Facility Project	39,887
HDC Extension	250,239
Centennial West	8,835
Main Ave Storm Water	187,169

<u>Recommendation</u> - The City should continue in their efforts of returning these funds to a sound financial position.

<u>Response</u> - The City agrees that deficit fund balances in the funds listed are not desirable.

Schedule of Findings

Year ended June 30, 2014

Part III: Other Findings Related to Required Statutory Reporting - Continued:

Conclusion - Response acknowledged.

- III-H-14 <u>Urban Renewal Annual Report</u> The urban renewal annual report was approved and certified to the Iowa Department of Management on or before December 1.
- III-I-14 <u>Certified Budget</u> Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the health and social services and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

<u>Recommendation</u> - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

<u>Response</u> - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.